



Office of External Affairs

MEDICARE FACT SHEET

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MEDICARE DRUG COVERAGE PROVIDES SIGNIFICANT PRICE DISCOUNTS AND SAVINGS

Overview: Seniors and people with disabilities enrolled in Medicare prescription drug plans are seeing significant savings on the costs of their prescription drugs over what they would have paid with no drug coverage, according to a new report by the Centers for Medicare & Medicaid Services (CMS). Savings on many of the drugs that seniors take most often can be found through nearly all of the prescription drug plans included in the CMS analysis.

With strong competition among the drug plans, beneficiaries are finding they are able to get deeper discounts on their drugs at local pharmacies. Much of these savings are the result of the negotiated discounts that the Medicare prescription drug plans are able to obtain directly from pharmaceutical manufacturers. In many cases, these discounts are substantially better than “third party” prices negotiated by insurance companies and pharmacy benefit managers (PBMs) for populations other than Medicare beneficiaries. Taking rebates into account for both Medicaid and Medicare, Medicare drug plans are usually getting prices that are as good as or better than Medicaid prices.

Those who use generic drugs will find even deeper discounts for the cost of their drugs. And beneficiaries who switch to similar drugs in the same class, “therapeutic alternatives” that have been shown to provide similar benefits to their current drug, can get still larger savings. Because large savings are available on a broad range of plans, especially when they use generic drugs and less costly brand-name drugs that work in a similar way to their current drugs, most Medicare beneficiaries with common health problems can find a range of plans having features they want that will provide them with large savings.

Similar findings were released today by Consumers Union in a new report that shows “many seniors could save enough money to cover the cost of their Medicare drug benefit premiums if they consider switching to equally effective, lower-cost medicines.” The report can be found at www.CRBestBuyDrugs.org.

Findings:

- Beneficiaries enrolling in the lowest-cost plan (including premiums and drug costs) in their area may save an average of almost 60 percent off the cost of their drugs compared to what they were paying without any coverage, with potential savings of as much as 71 percent.

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- Beneficiaries do not need to select the lowest-cost plan to realize substantial savings. Even those enrolling in a range of lower-cost plans – those that fall within the first five or ten plans on the Prescription Drug Plan Finder – could save up to 49 percent over the course of the year.
- Beneficiaries can increase their savings by switching to lower-cost medications, including generics and brand-name drugs in the same class that work in a similar way. Even those selecting the mid-priced plan available based on the analysis can save as much as 59 percent off of their drug bills by switching to generic medications alone. This is because, when Medicare plans do not provide large discounts on a particular brand-name drug, they generally provide large discounts on a generic version of the drug or of other, similar “therapeutic alternative” drugs in the same drug class.
- Beneficiaries can maximize their savings by switching to both generic and brand-name therapeutic equivalents -- saving as much as 83 percent for the lowest-cost plan for certain drugs.
- Many beneficiaries can also save by enrolling in a plan with a low premium, saving between 33 percent and 68 percent off of what they would pay on average without coverage by choosing the plan with the lowest premium in their area.
- Beneficiaries with both high and low drug costs will see significant savings by enrolling in a Medicare PDP due to price discounts and coverage, as well as the availability of options that fill in the coverage gap. Beneficiaries with low spending, for instance, can often see particularly substantial savings by choosing a plan with low premiums and/or no deductibles.
- Beneficiaries may also realize greater savings by using their plan’s mail-order option. Medicare prescription drug plan mail-order prices are consistently lower than those available from Drugstore.com and Costco.com even, in many cases, among mid-priced plans.
- In rare instances, some plans do not result in savings for beneficiaries for these particular drug profiles. However, in these cases, the plans are covering cheaper generics and/or therapeutic alternatives on their formularies. When these equivalent generic and/or brand-name therapeutic alternatives are made, beneficiaries see large savings.

Methodology:

CMS’ study is based on information available through the Medicare Prescription Drug Plan Finder at www.medicare.gov. The information is calculated on a range of beneficiary drug “profiles,” comprised of the drugs most often used to treat certain conditions commonly experienced by people with Medicare, such as high blood pressure, high cholesterol, coronary artery disease, heart failure, diabetes, osteoporosis, thyroid problems, and chronic lung diseases like asthma, among others. The profiles were drawn from about 100 brand-name and generic medications, including many of the top drugs taken by Medicare beneficiaries.

Results were obtained for each profile from two zip codes, representing urban and rural locations in most regions across the country. The profiles were created early in 2005 and CMS has been conducting this analysis since the program's implementation on January 1, 2006.

For the Medicaid price analysis, CMS compared prices net of rebates for a range of profiles and estimated prices net of rebates by applying state-specific average rebate percentages to the state-specific Medicaid payment amounts. Similarly, plan-specific estimated rebate percentages (as included in the 2006 plan bids) were applied to plan-specific payment amounts.

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